

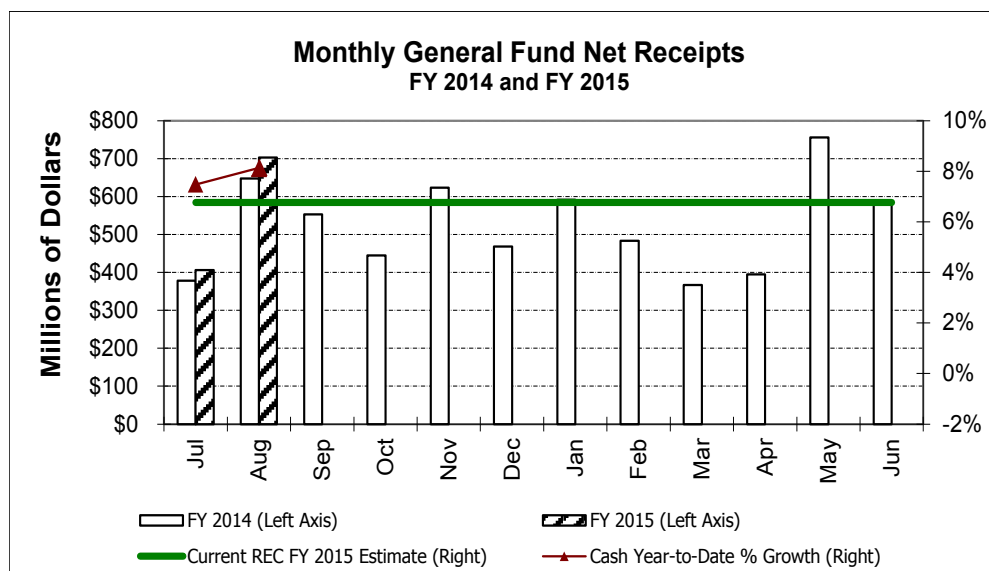
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: September 2, 2014

Monthly General Fund Receipts through August 31, 2014

The attached spreadsheet presents FY 2015 General Fund total net receipts with comparable figures for actual FY 2014. The figures can be compared to the FY 2015 estimate of \$6.802 billion set by the Revenue Estimating Conference (REC) on March 20, 2014. The FY 2015 estimate is an increase of \$431.1 million (6.8%) compared to FY 2014 total net receipts (excludes transfers), but does not include any revenue adjustments enacted after the last REC meeting. The next REC meeting has not been scheduled.



Overview of Current Situation

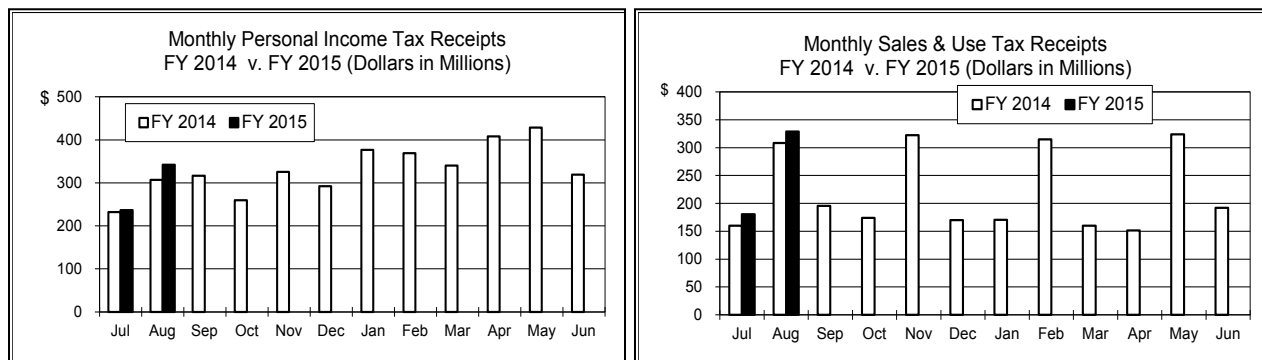
August 2014 net General Fund revenue was \$55.2 million (8.5%) above the August 2013 revenue level. After two months of the fiscal year, year-to-date net tax receipts are up \$83.3 million (8.1%). Major sources of tax revenue and their contribution to the August 2014 change include:

- Personal income tax (positive \$39.6 million, 7.3%)
- Sales/use tax (positive \$41.3 million, 8.8%)
- Corporate tax (negative \$40.9 million, -57.9%)
- Other taxes (negative \$1.6 million, -2.2%)

- Other receipts (positive \$0.9 million, 2.3%)
- Tax refunds not including school infrastructure refunds (positive \$8.3 million)
- School infrastructure sales/use tax refunds (positive \$35.9 million)

Personal Income Tax revenue received in August totaled \$342.3 million, an increase of \$35.7 million (11.6%) compared to August 2013.

The FY 2015 REC income tax estimate of \$4.291 billion represents a projected increase of 8.0% compared to actual FY 2014. Through August, personal income tax receipts have increased \$39.6 million (7.3%). By subcategory, withholding payments increased \$46.4 million (9.5%), estimate payments decreased \$5.4 million (-14.9%), and payments with returns decreased by \$1.4 million (-8.7%). The following chart compares FY 2015 monthly income tax receipts from the three personal income tax subcategories with FY 2014.



Sales/Use Tax receipts received in August totaled \$329.0 million, an increase of \$20.8 million (6.7%) compared to August 2013.

The REC estimate for FY 2015 sales/use tax receipts is \$2.753 billion, an increase of 4.2% compared to actual FY 2014. Through August, gross sales/use tax receipts have increased \$41.3 million (8.8%). The preceding chart compares FY 2015 monthly sales/use tax receipts with FY 2014.

Corporate Tax receipts received in August totaled \$7.8 million, a decrease of \$8.5 million (-52.1%) compared to August 2013.

The REC estimate for FY 2015 corporate tax revenue is \$610.0 million, an increase of 11.0% compared to actual FY 2014. Through August, gross corporate tax revenue is down \$40.9 million (-57.9%).

Other tax receipts received in August totaled \$63.9 million, an increase of \$7.7 million (13.7%) compared to August 2013. Increases of \$3.1 million in inheritance tax, \$2.1 million in insurance premium tax, \$2.4 million in franchise tax, and \$0.1 million in miscellaneous tax accounted for the August increase.

The REC estimate for FY 2015 other tax revenue is \$269.8 million, an increase of 5.3% compared to actual FY 2014. Through August, other tax receipts have decreased \$1.6 million (-2.2%).

Other receipts (non-tax receipts) received in August totaled \$18.6 million, a decrease of \$4.5 million (-19.5%) compared to August 2013. Miscellaneous receipts accounted most of the decrease, down \$3.5 million compared to last August.

The REC estimate for FY 2015 other receipts revenue is \$270.0 million, a decrease of 6.6% compared to actual FY 2014. Through August, other receipts have increased \$0.9 million (2.3%).

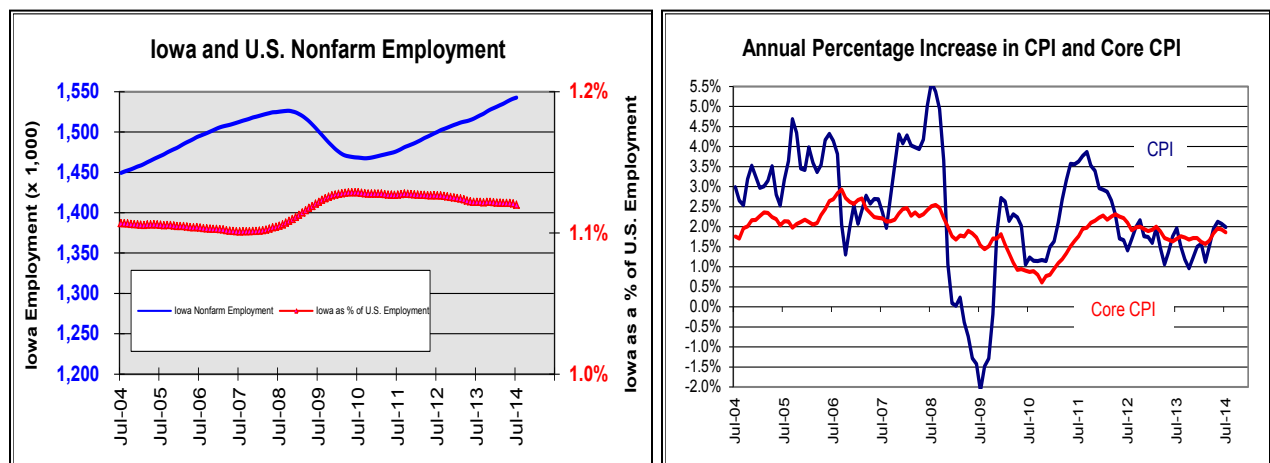
Tax Refunds issued in August totaled \$22.9 million, a decrease of \$3.8 million (-14.2%) compared to August 2013. In addition, school infrastructure refunds totaled \$35.5 million in August, a decrease of \$0.4 million compared to August 2013.

Status of the Economy

Iowa nonfarm employment was reported at 1,541,400 for the month of July 2014 (not seasonally adjusted), 15,400 higher (1.0%) than July 2013.

Iowa's 12-month average employment is presented as the blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, and was 47,700 above the peak prior to the previous recession (January 2001). The current 12-month average reading is now 1,542,700, resulting in an annual average Iowa nonfarm employment level 16,400 jobs above the October 2008 peak.

The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Iowa's percent of U.S. employment has declined as the percentage growth in U.S. employment has exceeded the percentage growth in Iowa employment since June 2010 and currently is at its lowest level since May 2009.



The Consumer Price Index (CPI-U) through July 2014 was 238.3 (1983/84=100). Consumer prices decreased 0.04% in July (not seasonally adjusted). The annual rate of inflation dropped to 2.0% from the previous month's level of 2.1%.

Core CPI, an inflation measure excluding food and energy expenditures, decreased 0.01% in July and remained at 1.9% year-over-year. The annual rate of core inflation has been at or below 2.0% since July 2012. For the two components excluded from the core rate, energy prices are up 2.6% year-over-year while food prices were up 2.4%.

Information related to State General Fund receipts is available on the Fiscal Services Division website at: <https://www.legis.iowa.gov/publications/fiscal/dailyReceipts>.

GENERAL FUND RECEIPTS - FY 2014 vs. FY 2015 July 1 through August 31 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 14 Actual Compared to FY 15 REC Estimate		
	FY 2014	FY 2015	Year to Date % Change	August % Change	Actual FY 2014	Estimate FY 2015	Projected % Change
Personal Income Tax	\$ 538.9	\$ 578.5	7.3%	11.6%	\$ 3,974.8	\$ 4,291.4	8.0%
Sales/Use Tax	468.1	509.4	8.8%	6.7%	2,642.3	2,753.0	4.2%
Corporate Income Tax	70.6	29.7	-57.9%	-52.1%	549.6	610.0	11.0%
Inheritance Tax	14.2	14.0	-1.4%	48.4%	91.0	98.7	8.5%
Insurance Premium Tax	48.9	51.4	5.1%	4.3%	105.5	107.5	1.9%
Cigarette Tax	0.0	0.0	0.0%	0.0%	0.0	0.0	N.A.
Tobacco Tax	1.4	0.0	-100.0%	0.0%	1.4	0.0	-100.0%
Beer Tax	2.7	2.7	0.0%	0.0%	14.1	14.9	5.7%
Franchise Tax	5.3	2.7	-49.1%	2400.0%	42.9	47.6	11.0%
Miscellaneous Tax	0.0	0.1	0.0%	0.0%	1.2	1.1	-8.3%
Total Gross Taxes	\$ 1,150.1	\$ 1,188.5	3.3%	8.1%	\$ 7,422.8	\$ 7,924.2	6.8%
Institutional Payments	2.9	3.3	13.8%	-27.8%	12.8	11.1	-13.3%
Liquor Profits	14.3	18.3	28.0%	-4.5%	96.6	96.0	-0.6%
Interest	0.3	0.5	66.7%	100.0%	3.4	3.5	2.9%
Fees	5.2	5.4	3.8%	3.6%	28.8	26.5	-8.0%
Judicial Revenue	8.7	8.3	-4.6%	-10.0%	104.0	102.6	-1.3%
Miscellaneous Receipts	7.9	4.4	-44.3%	-66.0%	43.4	30.3	-30.2%
Racing and Gaming Receipts	0.0	0.0	0.0%	0.0%	0.0	0.0	N.A.
TOTAL GROSS RECEIPTS	\$ 1,189.4	\$ 1,228.6	3.3%	7.2%	\$ 7,711.8	\$ 8,194.2	6.3%
Accrued Revenue-Net**					41.6	23.1	
Tax Refunds *	-59.3	-51.0	-14.0%	-14.2%	-956.0	-974.3	1.9%
School Infrast. Refunds *	-104.0	-68.1	-34.5%	-1.1%	-426.0	-440.5	3.4%
TOTAL NET RECEIPTS	\$ 1,026.2	\$ 1,109.5	8.1%	8.5%	\$ 6,371.4	\$ 6,802.5	6.8%
<p>* For FY 2014 and FY 2015 Year-to-Date columns, refunds are presented on a cash basis. For FY 2014 Actual and FY 2015 Estimate, refunds are presented on a fiscal year basis.</p> <p>** The FY 2014 Accrued Revenue-Net is currently estimated.</p>							